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TWO YEARS WITH THE all-volunteer force

TWO YEARS WITH THE all-volunteer force

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The Department of Defense has now completed its second year without the draft and has been able to satisfy its military personnel requirements both in terms of quantity and quality. We now believe that we can maintain our planned peacetime force levels on a volunteer basis. However, the continuing task of recruiting one young man out of every three who is qualified and available for military service remains a formidable challenge—one which will require our sustained best efforts.

Status—Current Trends

Military Strengths

The Services are meeting their active-duty strength objectives:

TOTAL ACTIVE DUTY MILITARY STRENGTHS
ACTUALS VS OBJECTIVES
(000)

	End of December 1974			
	Objective	Actual		
		Number	% of Objective	End FY 75 Objective*
Army	771	772	100	785
Navy	550	549	99	536
Marine Corps	192	192	100	196
Air Force	638	625	98	612
Total DoD	2,150**	2,138	99	2,129

*FY 75 Column of the President's FY 76 Budget. Total strength authorized by Congress for end-FY 75 was 2,149.

**Total does not add due to rounding.

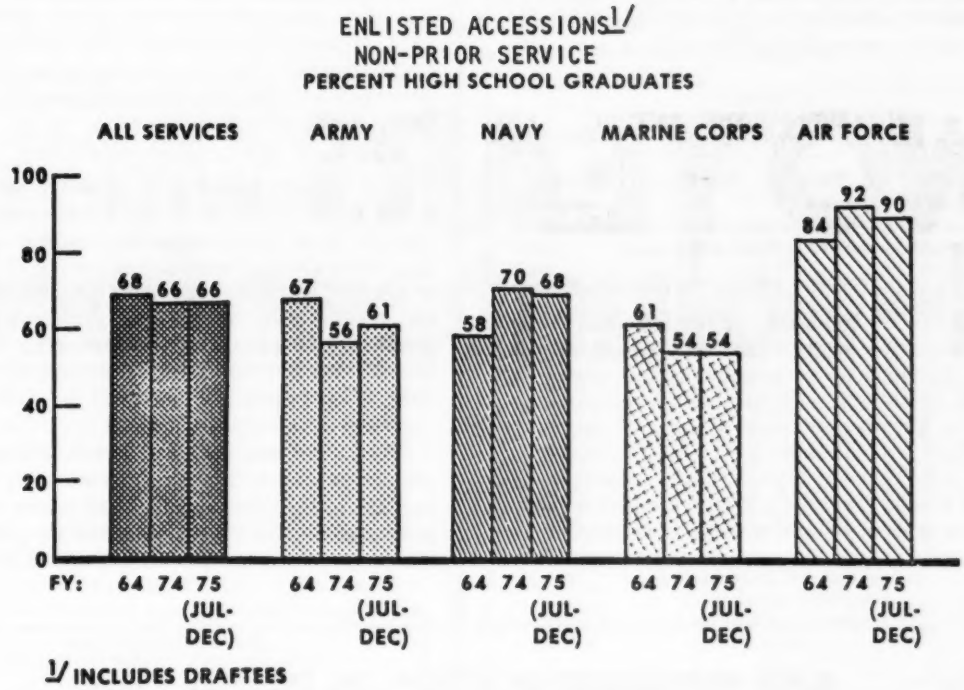
Active Force Accessions: Quantity and Quality

For the first six months of FY 1975, the Services substantially met their enlistment objectives:

ENLISTED ACCESSIONS
ALL SOURCES
FY 75 THROUGH DECEMBER
(000)

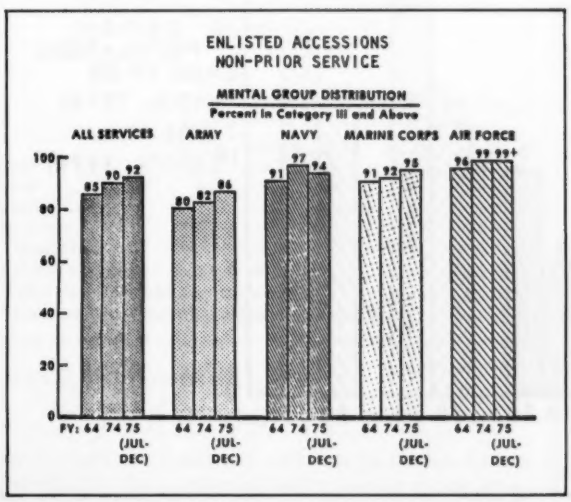
	Fiscal Year Through December		
By Service	Objective	Actual	Percent
Army	110	113	103
Navy	64	63	98
Marine Corps	32	32	100
Air Force	38	38	100
Total	244	246	101
By Source			
Nonprior Service			
Men	209	207	99
Women	19	21	111
Prior Service	16	18	113

At the same time, the Services have been maintaining high standards of quality. The two yardsticks most frequently used to assess quality are the level of education achieved (high school graduate status) and the results of standardized tests which measure mental capacity and aptitude. For the first six months of FY 1975, 66 per cent of all nonprior service enlisted accessions were high school graduates. This compares with 68 per cent achieved in FY 1964, the last year in which we had a peacetime draft.



The overall percentage of high school graduates in the active enlisted force remains high—about 85 per cent.

During the first six months of FY 1975, 92 per cent of all nonprior service enlisted accessions were in Mental Categories I, II or III (the average and above average categories). The comparable figure for FY 1964 was 85 per cent. The trends are shown below, by Service:



The percentage of enlistees in the two "above-average" categories (I and II) now runs about 35 per cent, slightly lower than the 38 per cent achieved in FY 1964. However, the percentage of Category IV, the below average group, is now about 8 per cent, the lowest since we started keeping records in 1951, and about half of the FY 1964 figure of 15 per cent.

Racial Composition

During the first six months of FY 1975, 20 per cent of all nonprior service enlisted accessions were black, compared to 21 per cent for the same period in FY 1974. The table below shows the individual Service experience. While the Army is down 3 per cent (26 per cent vs 29 per cent) for the July-December period from last year, the Navy and Air Force show slight increases:

BLACKS, AS A PERCENTAGE OF ENLISTED ACCESSIONS

					1st Half	
	FY 71	FY 72	FY 73	FY 74	FY 74	FY 75
Army	13	15	19	27	29	26
Navy	9	13	11	11	10	13
Marine Corps	13	18	19	21	21	21
Air Force	15	13	14	16	16	17
DoD	13	14	16	21	21	20

The table below compares the percentage of blacks who reenlist relative to those who separate after their first term of service with the corresponding percentage of non-blacks:

FIRST TERM RETENTION RATE*
FY 1974

	Black	Non-Black	Total
Total DoD	16.4	15.1	15.3

***Ratio of total reenlistments occurring in a given period to total separations occurring in the same period.**

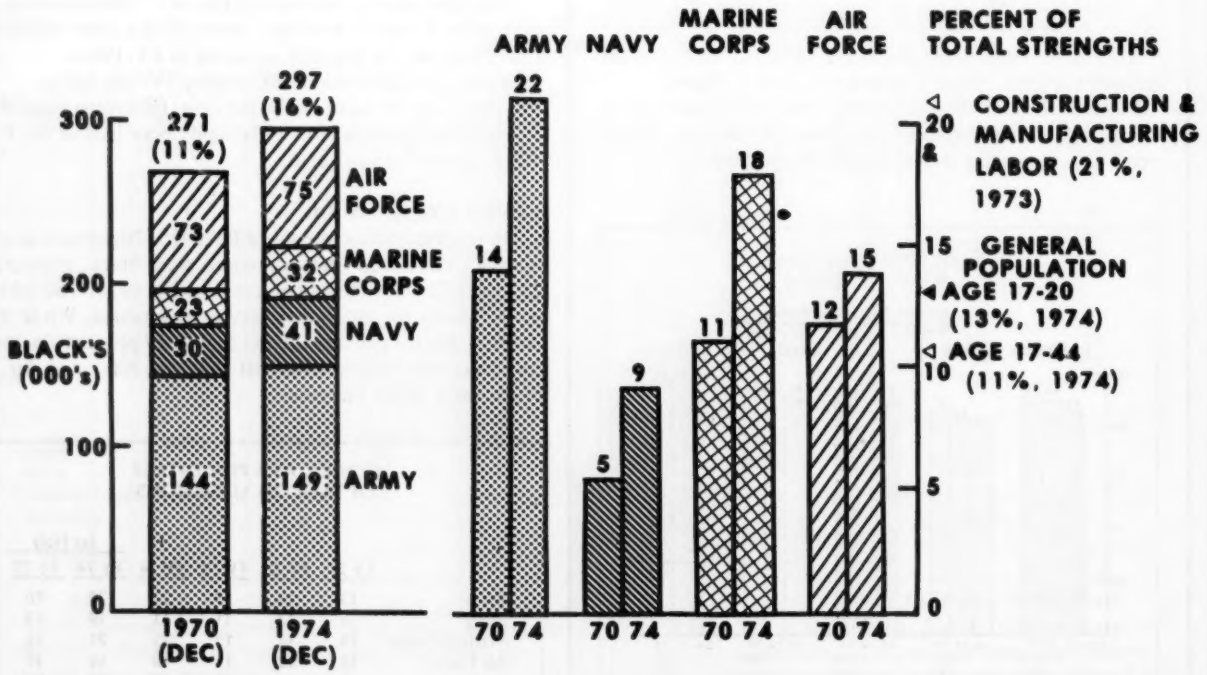
Thus blacks and non-blacks are being retained at about the same rate following their initial terms of service, which suggests that the racial composition of the volunteer force eventually should reflect the racial mix found in initial enlistments. The retention rate of 15.3 per cent for the total enlisted force also guarantees a substantial amount of turnover in the volunteer force, making it unlikely that the force will become ''isolated''. Annual turnover is expected to level out at about 400,000 in the enlisted force, or about 22 per cent.

The proportion of blacks as a component of total enlisted strength is displayed in the table below as of the end of 1974. Figures are also given for end-1970 to show the long-term trend. The Army percentage has increased from 14 per cent to 22 per cent, while DoD overall has increased from 11 per cent to 16 per cent.

While minority presentation within the Services is a matter of continuing interest within the Department, it is the response of the American public to military service that determines what that representation will be. It is interesting to note that among nonfarm labor activities in the private sector—principally construction and manufacturing—blacks constitute about the same percentage of the work force (21 per cent) as they do of the enlisted ranks in the Army (22 per cent).

Concern has been expressed that the burden of combat arms enlistments is falling disproportionately on minority elements of our society. The following table shows that the percentage of black enlistments within the combat arms of the Army is about the same as that for the Army overall:

BLACK REPRESENTATION WITHIN THE ENLISTED FORCE



ARMY COMBAT ARMS ENLISTMENTS
1st HALF FY 1974 VS 1st HALF FY 1975

	BONUS (4 Years)		NON-BONUS (2-3 Years)		TOTAL	
	FY 74	FY 75	FY 74	FY 75	FY 74	FY 75
TOTAL	5,900	5,900	12,400	14,700	18,300	20,600
BLACKS						
NUMBER	1,300	1,300	3,300*	4,100*	4,600	5,400
% of TOTAL	22	22	27	28	25	26

*Assumes the maximum case, that of those enlistees who do not select a skill and who are assigned to combat arms, 50% are black.

Women in the Services

Women are playing an increasingly important role within the Department of Defense. They may now work in all occupational fields excepting those combat positions denied by law. As the two tables below indicate, the Department plans to increase recruitment of women to the point where, by end-FY 78, they will comprise 6.2 per cent of our total active military strength.

ENLISTED ACCESSIONS
NONPRIOR SERVICE (NPS) WOMEN

	Number of Enlistments (000)			
	Actual		Plan	
	FY 71	FY 74	FY 75	FY 76
Army	5.2	15.4	18.6	17.2
Navy	2.5	6.7	7.1	5.2
Marine Corps	1.1	1.2	1.4	1.3
Air Force	4.3	8.0	10.0	9.0
Total DoD	13.1	31.5*	37.1	32.7
Percent of Total NPS	2.4	8.2	8.9	8.4

*Total does not add due to rounding.

REPRESENTATION OF WOMEN WITHIN
TOTAL MILITARY STRENGTH
(END OF FISCAL YEAR)

	Number in Service (000)				
	Actual		Plan		
	FY 71	FY 74	FY 75	FY 76	FY 78
Army	16.9	30.7	41.7	45.2	52.7
Navy	8.8	17.0	22.1	24.3	24.8
Marine Corps	2.3	2.7	3.0	2.9	3.1
Air Force	14.8	24.2	30.2	36.8	50.1
Total DoD	42.8	74.7*	97.0	109.2	130.7
Percent of Total	1.6	3.5	4.6	5.2	6.2**

*Total does not add due to rounding.
**Assumes the same total military strength as in FY 76.

Regional Representation

The Department of Defense recently completed a study of the regional distribution of FY 1974 enlistments. The following table indicates that enlistments tend to be proportional to the youth population in each major area:

REGIONAL DISTRIBUTION OF YOUTH POPULATION AND FY 74 ENLISTMENTS

Region*	Percent of U.S. Population (Ages 17-22)	Percent of Enlistments
Northeast	22.5	17.3
Southeast	21.4	25.1
North Central	20.0	17.6
Central	17.8	19.7
West	16.8	19.3

*Excludes Territories

Reserve Forces

During FY 1974, the Reserve Components achieved 99.9 per cent of their authorized strength. While some difficulty was experienced in meeting programmed manning levels, results from intensified recruiting efforts across the board were generally encouraging. Similar results have been obtained for the first six months of FY 1975:

DOD SELECTED RESERVE
PAID DRILL STRENGTH
(AVERAGE STRENGTH)
(000)

	FY 1974	FY 1975
AUTHORIZED	913	925
ACTUAL	912	907*
% OF AUTHORIZED	99.9%	98.1%

*Through December 1974

Although enlistments in the nonprior service category fell below objectives in all components, the shortfall was offset in large measure by successes in recruiting prior service enlistees. The prior service enlistee has the virtue of being experienced and already trained in a military skill and, as such, represents a good bargain in terms of recruitment.

The task of recruiting adequate numbers of nonprior service personnel for the Reserves represents a formidable challenge. We will continue our efforts to make service in the National Guard and Reserves more appealing to the nonprior service candidate.

The Future of the Volunteer Force—Supply and Demand

Concern has been expressed as to whether or not the Department will be able to meet its accession needs through the 1970s and 1980s in view of the projected decline in the numbers of male youths of military age. Our analysis shows that this decline in the supply of potential volunteers will be offset by reductions in accession requirements resulting from longer initial terms of service.

In our analysis, we compared projected military accession requirements with the enlistment-eligible male

population. As the proportion needed from each year group falls, the recruiting task becomes easier; as the proportion increases, the task grows more difficult. For our purposes here, the number of men aged 18 at the beginning of the year has been used as a representative measure of the enlistment population.

Projected DoD nonprior service accession requirements are shown in the table below, compared to the 18-year-old male population projections. It is assumed that a total active duty force of about 2.1 million will be maintained throughout the period, that the Services will stabilize their accession of women at the 1980 level, and that the proportion of Mental Category V enlistees will remain at the current level (less than 10 per cent).

NONPRIOR SERVICE ENLISTED ACCESSION PROJECTIONS FY 1975–1990 (000)

	FY 75	FY 80	FY 85	FY 90
Non Prior Service Accessions				
Total	430	400	390	390
Women (Planned)	40	40	40	40
Men (Required)	390	360	350	350
Total 18-Year-Old Males in Population	2,083	2,139	1,847	1,911
Qualified and Available 18-Year-Olds*	1,055	1,093	896	940
Percent of Total Required	19%	17%	19%	18%
Percent of Qualified and Available Required	37%	33%	39%	37%

*Eliminates mentally/physically ineligible; those in mental and penal institutions, etc.; and full time college students.

During the next 15 years the percentage of the 18 year old male population required is less than the 1975 percentage in all but three years, 1986–1988; and in those years the difference is negligible. This suggests that with all else being equal, the task of sustaining an all volunteer force through 1990 should be no more difficult than it is during the current fiscal year.

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Volunteer

It is perceived by some that manpower costs are running away with the Defense budget, driven by the cost of the volunteer force. While manpower does consume a larger share of the Defense budget than it did 12 years ago, and while pay hikes designed to make military service more attractive to volunteers have contributed to the increases, the actions primarily responsible for higher manpower costs had little to do with the decision to end the draft. Conversely, if the draft were reinstituted, it would have a relatively small impact on the manpower share of the budget.

The Manpower Share of the Defense Budget

The table below shows total Defense outlays and associated manpower costs for the period from 1964, the last peacetime draft year, to 1976 (as projected in the President's FY 1976 Budget):

Department of Defense Manpower Costs as a Percentage of Total DoD Budget

	Fiscal Year Outlays ($ Billion)				
	Actuals			President's FY 1976 Budget	
	FY 64	FY 73	FY 74	FY 75	FY 76
DoD Budget Outlays	51	74	78	85	93
Manpower Costs	22	41	43	47	49
Percent of DoD Budget	43%	56%	55%	55%	53%

In 1967 the Congress passed legislation that placed the pay of Federal civilians and military careerists on a par with compensation levels found in the private sector. However; draftees and junior enlisted and officer personnel—basically those having less than two years' service—were not given matching increases. The law also assured that competitive pay levels for civilians and military careerists would be maintained through periodic adjustments geared to related increases in the private sector. These 1967 actions, which predated the volunteer force program by several years, were not taken in the interest of reducing the country's dependence on the draft, but rather in the interest of equity.

In 1971 the President proposed a program to end the draft. His proposal included a one-time catch-up pay

Force Manpower Costs

adjustment for junior enlisted and officer personnel, recognizing that many first-term enlisted personnel were living at the poverty level and that some were actually on welfare. The Congress responded generously, approving pay levels even higher than those requested by the President.

The cumulative effect of this landmark Federal pay legislation was to increase the manpower share of the Defense budget from the level of 43 per cent experienced in FY 1964, to about 56 per cent in FY 1973, as noted in the table above. Clearly there is no indication of "runaway manpower costs" in these figures. On the contrary, over the period FY 1973–76 there is a clear down-trend in the manpower share of the budget. Any further increases in the absolute costs will be driven primarily by the 1967 law which adjusts military and Federal civilian pay to pay changes in the private sector. However, such increases should not materially affect the manpower share of the budget since the costs of Defense procurement and services would be similarly affected by the same inflationary pressures which would cause pay adjustments.

The President has proposed limiting FY 1976 Federal pay raises to 5 per cent. The FY 1976 budget figures given in the table above include $1.2 billion for such a pay raise. Each percentage point increase above 5 per cent granted by Congress would add about $240 million to Defense manpower costs.

The Costs of Military Pay Versus the Costs of Civilian and Retirement Pays

It is not just military active-duty pay increases which have caused Defense manpower costs to rise. The following table displays these costs for the three major manpower cost categories:

Department of Defense Manpower Costs By Major Category

	Outlays - $ Billions			
	FY 64		FY 76	
	Amount	% of Budget	Amount	% of Budget
DoD Budget Outlays	50.8	100%	92.8	100%
Manpower Costs				
Military Personnel Costs*	13.5	26.6%	27.0	29.1%
Civil Service Payroll	7.3	14.4%	15.4	16.6%
Military Retired Pay	1.2	2.4%	6.9	7.4%
Total Personnel Costs	22.0	43.3%	49.2	53.0%

*Includes family housing

While military manpower costs have doubled in 12 years, their percentage of the budget has increased only 2.5 per cent. Civilian manpower costs have also doubled, and their share of the budget has increased by 2.2 per cent. However, in FY 1976, retirement pay will be almost six times what it was in FY 1964; and its share of the budget will have increased by 5 per cent, at least twice as much as either of the other categories. Of the total increase of 9.7 per cent in the manpower share of the budget, over one-half of this percentage increase can be attributed to the increasing cost of military retirement pay. Only one-quarter of the percentage increase is attributable to increased military pay, and only a small part of that was specifically tied to the volunteer force program.

Retirement costs are being driven upward at a greater rate than other manpower costs because the number of personnel receiving military retirement benefits is increasing dramatically:

Number of Personnel Receiving Military Retirement and Survivor Benefits (000)

FY 64	FY 76	FY 84	FY 99
400	1,100	1,400	1,800

The basic cause underlying this trend was the decision following the Korean War to maintain fairly large peacetime active military establishment—as contrasted to the smaller peacetime levels maintained after World War I. Now, 20 years later, large numbers of military personnel are reaching retirement age and retirement costs are rising accordingly. If we were to deduct the military retirement outlays from the Defense budget, then manpower costs would be as follows:

Department of Defense Manpower Costs With Military Retirement Costs Deleted

	Outlays - $ Billions			
	FY 64		FY 76	
	Amount	% of Budget	Amount	% of Budget
DoD Budget Outlays	49.6	100%	85.9	100%
Manpower Costs	20.8	42%	42.3	49%

Thus, with retirement excluded, manpower costs would have been about 42 per cent of the budget in FY 1964, and in FY 1976 would still be less than half of the Defense budget.

During this same period, the Consumer Price Index increased 59 per cent, which suggests that the "real" increases in compensation were 55 per cent for the military and 33 per cent for civilians.

The Cost of Volunteer Force

The "incremental" cost of the volunteer force is best estimated by determining what costs within the current manpower program would be eliminated or reduced if the country went back to the draft. This is a two-part exercise: The first step is to examine Defense basic payroll costs and to determine what changes might occur; the second is to examine the impact on manpower programming, and to review the various special programs associated with recruiting activity to determine which of them might be reduced or dropped altogether.

Of the $49.2 billion in the FY 1976 President's budget for manpower outlays, $27 billion is for military pays and allowances. The remainder is for military retirement and the civil service payroll, neither of which would be affected by a return to the draft. The question then is: How would the military payroll be affected? As noted earlier, the Congress decided in 1967 that military careerists should receive compensation at levels competitive with those found in the private sector, an action totally unrelated to the 1971 decision to move to the volunteer force. Thus, it seems unlikely that comparability would be dropped for careerists. The issue then becomes whether or not the pay of first-termers would be reduced.

Using the FY 1976 Budget for illustration, the following table shows what would happen hypothetically if junior enlisted personnel compensation levels were lowered (1) to the Federal minimum wage ($2.30/hour) or (2) to the poverty level, as defined by the Department of Labor ($2520/year, i.e. FY 74 figure of $2330/year adjusted for inflation):

Hypothetical Program Alternatives
(Costs in $ Billions)

		Effect of Reducing Pay of Junior Enlisted Personnel to:			
		Federal Minimum Wage		Federal Poverty Level	
	FY 76 Budget	Reduction	New Budget	Reduction	New Budget
Military Personnel Costs*	27.0	1.3	25.7	2.8	24.2
Total Manpower Outlays	49.2	1.3	47.9	2.8	46.4
Total Defense Outlays	92.8	1.3	91.5	2.8	90.0
% Manpower	53.0%		52.4%		51.6%

*Includes family housing

It is a matter of judgment as to whether or not junior enlisted pay levels would be lowered if the draft were reinstituted and, if so, by how much. But quite clearly the impact would not be sufficient to drive manpower costs below 50 per cent of the Defense budget, even under the hypothetical and extreme "poverty-level" alternative.

Reinstitution of the draft would permit recruiting costs to be lowered. However, pressures would undoubtedly build to minimize draft calls, and a major recruiting program would probably still be necessary. Returning to the draft would result in increased turnover within the Services, particularly in the Army. This, in turn, would increase training costs since the training base would have to be increased accordingly. The Selective Service System budget would have to be increased since the Service itself is currently in a standby mode.

At the outside, then, annual budgetary savings permitted by a return to the draft (after a transition) might run between $1.5 billion and $3 billion annually—if it were decided to pay draftees and other junior enlisted personnel compensation ranging somewhere between the Federal poverty level and the minimum wage. The manpower share of the Defense budget would then lie between 51 per cent and 52 per cent, as compared to the 53 per cent currently projected for FY 1976 President's Budget.

If competititive levels for junior enlisted personnel were maintained, the total annual savings associated with a return to the draft would amount to perhaps $325 million, with no appreciable effect on the manpower share of the budget.

Summary

1. The manpower share of the Defense budget increased from 43 per cent to 56 per cent in the period 1964–73, and is currently projected to be 53 per cent in FY 1976.
2. Increases in civilian pay and military retirement pay—both unrelated to the volunteer force program—have accounted for three-quarters of the total percentage increase between FY 1964 and FY 1976.
3. Increases in military pay—accounting for the remaining one-half—are only partly related to the volunteer force program. Most of the increase stems from the Congressional action in 1967 (four years before the President proposed ending the draft) which raised the pay of government civilians and military careerists to match pay levels in the private sector. In 1971, as part of the Volunteer Force program, a catch-up pay increase was granted to junior enlisted and officer personnel.
4. A return to the draft would probably not affect the pay levels of military careerists since their catch-up increases were granted as a matter of equity. If the pay of junior enlisted personnel were reduced under a return to the draft, the annual savings could range from $1.5 billion to $3 billion, depending on whether the Congress used the Federal minimum wage or the Federal poverty level as a guideline for establishing new pay levels for these individuals. However, such a reduction would only reduce the manpower share of the budget (53 per cent in FY 1976) by one or two percentage points. If, instead, current pay levels and procedures were maintained, total annual savings would amount to only about $325 million.

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